

Service Date: November 20, 2002

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER Of the Application of)	
MONTANA-DAKOTA UTILITIES, CO.)	Docket No. D2002.5.59
For Authority to Establish Increased Rates)	
For Natural Gas Service in the)	Order No. 6424d
State of Montana)	

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AMENDED INTERIM ORDER

FINDINGS OF FACT

1. On May 20, 2002, Montana-Dakota Utilities, Co.(MDU), a Division of MDU Resources Group, Inc., filed with the Montana Public Service Commission (PSC) an application for authority to increase natural gas service rates. MDU requested approval for a final increase of \$3,642,269 and an interim of \$2,085,110.

2. The proposed increase will affect approximately 70,752 natural gas customers in Montana. MDU states that the current cost of providing natural gas service to its Montana customers is not adequately reflected in the currently authorized rates. Only non-gas costs or distribution costs are covered in this filing. Distribution costs include operation and maintenance expenses, depreciation, taxes, and a component for the opportunity to earn a return on the investment in facilities to provide natural gas service. The distribution costs are approximately 31 percent of a typical residential bill and MDU's last filing for this portion was in 1996.

3. The following is a table summarizing the interim increase requested by MDU by customer class:

Montana-Dakota Utilities Co.
Gas Utility Montana
Docket D2002.5.59
Interim Increase

Class	Amount	% Increase
Residential	\$1,742,491	5.1%
Firm General	342,619	1.7%
Small Interruptible	0	0.0%
Large Interruptible	0	0.0%
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Total Montana	\$2,085,110	3.7%

4. The PSC found the proposed interim rate increase by MDU to be just and reasonable and provide adequate rate relief and approved them, on an interim basis, on September 5, 2002.

5. On October 30, 2002, MDU filed a stipulated agreement with the Montana Consumer Counsel (MCC) for an amended interim order to become effective on November 15, 2002. MDU is requesting the PSC to not only approve the stipulated changes on an interim basis but after the completion of contested case proceedings approve the stipulated changes in rates and tariffs in a final order. MDU has agreed to the stipulation because it believes without a stipulation final rates established in this docket would not become effective during the 2002-2003 heating season. Because of increased costs it has experienced since the filing of its application in this docket, MDU says it will need to file in the spring of 2003 a request for another increase in the rates it is authorized to charge its Montana customers for natural gas service.

6. MDU states, that for settlement purposes, it will accept the revenue requirement proposed by MCC of \$2,393,517 and requests the PSC to increase the approved Interim Order amount by \$308,407. MDU proposes using Appendix 1 (see attached) for allocation of the revenue deficiency. That allocation, states MDU, will result in a decrease to the residential class revenue requirement from the currently authorized interim rates or a decrease of \$188,417 from interim.

7. MDU offers a change in rate design as reflected in the proposed tariffs as set forth in Appendix 2. This change will result in increases in the monthly base rate portion of rate design. The base rate for the typical residential customer would increase from its current \$5.00 level to \$6.25. An increase to the monthly base rate results in a small decrease in total monthly bills for the residential class during the winter heating season. The monthly bills for a typical residential customer are as set forth in Appendix 3. (see attached) No refunds or surcharges should be authorized because of the changes in interclass revenue set forth in this Stipulation.

8. Upon review, the PSC finds for interim purposes only, the proposed rate increases and changes in rate design, as shown in the attached Stipulation and Appendixes to be fair, just and reasonable.

CONCLUSION OF LAW

1. MDU provides natural gas service within the State of Montana and as such is a “public utility” within the meaning of § 69-3-101, MCA.

2. The PSC properly exercises jurisdiction over the Montana-Dakota Utilities Company’s rates and operations pursuant to Title 69, Chapter 3, MCA.

3. The PSC may at its discretion, within the scope of § 69-3-304, MCA, make temporary approvals of requests pending a hearing or final decision.

4. The rate levels and spread approved in this Order are a reasonable means of providing interim relief to MDU. The rebate provisions of § 69-3-304, MCA, protect ratepayers until there is a Final Order in this Docket.

ORDER

1. MDU shall implement, on an amended interim basis, rates designed to increase annual Montana jurisdictional natural gas revenues by \$308,407 above rates approved in Interim Order 6424b.

2. MDU shall adhere to and abide by all provisions in the Amended Interim Order. All rate schedules shall comply with all determinations set forth in this Amended Interim Order.

3. MDU must file tariffs in compliance with the Findings of Facts in this Amended Interim Order.

4. Nothing in this Order precludes the PSC from adopting in its Final Order a revenue requirement different from that contained in this Amended Interim Order.

5. Any interest associated with a refund that might result from the final revenue increase granted in this Order will be computed at 12 percent, the approved return on equity for this Amended Interim increase.

6. Interim approval of any matters in this proceeding should not be viewed as final endorsement by the PSC of any issues, calculations, or methodologies approved in this Order.

7. This Amended Interim Order is effective for all bills rendered on and after November 15, 2002.

DONE IN OPEN SESSION at Helena, Montana on this 7 day of November 2002 by a vote 5 of to 0.